GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:12
ANSWERED ON:25.07.2005
RISE IN PRICES OF MEDICINES
Pathak Shri Brajesh

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether there has been a steep rise in the prices of certain medicines/life saving drugs during the last three years;

(b) if so, the details and the reasons therefor;

(c) the steps taken by the Government to strengthen the research and development for exploring the possibilities of production of medicines at lower cost;

(d) whether the Government had constituted a committee to review the price control mechanism of medicines;

(e) whether the committee has since submitted its report; and

(f) if so, the details thereof and action taken thereon?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to {e): A Statement is laid down on the Table of the House,

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO,12 (12th position) FOR ANSWER ON 25-7-2005 ON THE SUBJECT OF `RISE IN PRICES OF MEDICINES`.

(a) & (b): The Drugs (Prices Control) Order, 1995 (DPCO, 95) does not make any distinction between Life Saving drugs and other drugs. There is no specific norms or guidelines to determine as to which drugs can be classified as life saving drugs. Every drug, in general, is considered useful in saving and prolonging of life.

Presently 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO, 95) and the formulations based thereon are under price control and their prices are fixed/revised by the National Pharmaceuticai Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95. These drugs have been identified for inclusion under price control in the DPCO, 95 on the basis of criteria mentioned in the `Modifications in Drug Policy, 1986`, announced in September, 1994. These criteria take into account the extent of usage and the market competition in various drugs.

Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected.

The percentage change in the whole sale price index (WPI) for drugs and medicines is less than for all commodities during the past 5 years, as given below:

Particulars of percentage change in WPi over preceding year

Year	Drugs & Medicines	All commodities
2000-2001	5.85	7.16
2001-2002	3.48	3.60
2002-2003	0.71	3.41

2003-2004 2.55 5.46

2004-2005 2.45 6.42

(Provisional)

(c) In March, 1999, the Government had constituted the Pharmaceutical Research and Development Committee (PRDC) under the Chairmanship of Dr. R.A. Mashelkar, Director General, CSIR to recommend measures to strengthen the Research and Development capability of the pharmaceutical industry in the country and to identify the support required by Indian Pharmaceutical companies to undertake domestic research and development. This Committee in its report submitted to the Government had recommended inter-alia, the establishment of a Pharmaceutical Research and Development Support Fund (PRDSF).

PRDSF has been established with a Corpus fund of Rs.150 crores under the administrative control of the Department of Science and Technology. Matter regarding increasing this fund is being examined in order to provide greater support for R&D activities.

Government is extending various fiscal incentives to encourage the domestic Pharma Industry to invest in R&D. The terminal date on weighted reduction of 150% of expenditure on in-house research and development facilities of companies engaged in the business of Pharmaceuticals and the terminal date of 100% reduction of profits of companies carry on scientific Research & Development and approved by Department of Scientific & Industrial Research is extended from 31.3.2005 to 31.3.2007 in the income tax Act. Customs duty exemption is available on goods imported by recognised in-house R&D units for use in Government funded R&D projects, under notification 50/96- Customs. Customs duty exemption is also now available on specified goods (comprising of analytical and specialty equipment) imported by recognised in-house R&D units, for use in pharmaceutical and biotechnology sector under notification no. 26/2003~Customs dated 1st March 2003.

(d) to (f): The Government constituted a Committee, on 19th August, 2004, under the Chairmanship of Joint Secretary (Pharmaceutical Industry) to examine the span of price control (including trade margin) in the light of National Common Minimum Programme and the observations of the Supreme Court in SLP NO (C) 3668/2003 and to suggest measures for fulfilling the objective of National Common Minimum Programme to ensure the availability of life saving drugs at reasonable prices. Representatives from the National Pharmaceutical Pricing Authority, Department of Legal Affairs, Ministry of Law, Department of Health, Ministry of Health and Family Welfare, along with the Drugs Controller General (India), are the Members of the Committee. The Committee held discussions with various drug industry associations, consumer groups, state drug control authorities etc.

This Committee has submitted its interim report to the Government. The Committee has recommended, inter-aiia, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cells in all States on the model of Karnataka, price negotiations at the time of launching of a new patented drug, efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc. Follow up action has been initiated on the recommendations of the Committee made in its interim report.

The Government have also constituted a Task Force under the Chairmanship of Principal Adviser, Planning Commission to explore various options other than price control for achieving the objective of making available life saving drugs at reasonable prices.